

**ATTESTATION TO
DEVELOPMENT FUND FOR IRAQ
CASH IN THE POSSESSION OF THE
JOINT AREA SUPPORT GROUP-
CENTRAL**

**SIGIR-08-012
MARCH 13, 2008**

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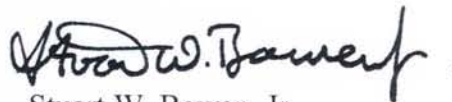
March 13, 2008

MEMORANDUM FOR COMMANDER, JOINT AREA SUPPORT GROUP – CENTRAL
COMMANDER, JOINT CONTRACTING COMMAND –
IRAQ/AFGHANISTAN

SUBJECT: Attestation to Development Fund for Iraq Cash in the Possession of the Joint Area Support Group-Central (SIGIR 08-012)

This attestation discusses the accountability of Development Fund for Iraq (DFI) cash controlled by the Joint Area Support Group - Central (JASG-C) Comptroller/DFI Account Manager, and stored in the basement vault, U.S. Embassy Annex, Baghdad, Iraq. The Special Inspector General for Iraq Reconstruction conducted this attestation at the request of the Commander, Joint Contracting Command – Iraq/Afghanistan. This attestation was conducted as SIGIR project 8010.

This report does not contain recommendations; therefore no written response to the report is required. We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Walt Keays at (703) 343-7926, or by email at walt.keays@iraq.centcom.mil; or Mr. Ronald Rembold at (703) 343-9254, or by email at ronald.rembold@iraq.centcom.mil.



Stuart W. Bowen, Jr.
Inspector General

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Attestation to Development Fund for Iraq Cash in the Possession of the Joint Area Support Group-Central

SIGIR-08-012

March 13, 2008

Executive Summary

Introduction

In December 2007, the Special Inspector General for Iraq Reconstruction (SIGIR) was asked to attest to the amount of Development Fund for Iraq (DFI) cash controlled by the Joint Area Support Group - Central (JASG-C) Comptroller/DFI Account Manager, and stored in the basement vault of the U.S. Embassy Annex, in Baghdad, and to ensure that the cash on hand agreed with government accounting records. SIGIR was also asked to attest to the transfer of the cash to the Government of Iraq. However, the JASG-C has not finalized procedures for such a transfer. Therefore, this report provides only an attestation to the amount of cash-on-hand relative to the accounting records.

During the Coalition Provisional Authority's (CPA) administration of Iraq, the authority's Comptroller managed DFI funds. When the CPA was dissolved in June 2004, the Comptroller was realigned as the U.S. Army Joint Area Support Group-Central (JASG-C) Comptroller, and assumed responsibility for DFI cash control. The Iraqi Minister of Finance granted DFI administrative and delegation authority to the Joint Contracting Command – Iraq/Afghanistan (JCC-I/A).¹ On December 31, 2007, JCC-I/A's stewardship of the DFI program ended.

Objectives

The objectives of this attestation were to conduct a physical count of DFI funds in the possession of JASG-C to determine whether the cash on hand agreed with JASG-C accounting records, and whether procedures used to store funds complied with applicable financial-management regulations.

Results

SIGIR conducted two cash counts on January 11 and February 26, 2008, and each count showed that the amount of cash in the vault matched the DFI entry in the JASG-C accounting records. Two counts were made because the expected transfer of the funds to the Government of Iraq did not occur. Our review also showed that JASG-C complied with

¹ The DFI administrative and delegations responsibilities currently assigned to the Joint Contract Command – Iraq/Afghanistan were previously assigned to the Program Management Office.

applicable regulations in maintaining accountability for the funds pending transfer. SIGIR's attestation to actual amounts is necessarily limited to the time the attestation occurred.

SIGIR conducted the February 26 count of the cash stored in the embassy vault in accordance with the terms of a Memorandum of Agreement between SIGIR and JASG-C (see appendix C). The auditors identified the sum of \$24,455,189.40 in U.S. currency in the vault.

Introduction

Background

In December 2007, the Special Inspector General for Iraq Reconstruction was asked to attest to the amount of Development Fund for Iraq (DFI) cash controlled by the Joint Area Support Group-Central (JASG-C) Comptroller/DFI Account Manager, and stored in the basement vault of the U.S. Embassy Annex in Baghdad, and to ensure that the cash on hand agreed with government accounting records. SIGIR was also asked to attest to the transfer of the cash to the Government of Iraq. However, the JASG-C has not finalized transfer procedures. Therefore, this report provides only an attestation on the amount of cash on hand relative to the accounting records.

United Nations Security Council Resolution 1483, passed in 2003, assigned responsibility for managing the DFI to the Coalition Provisional Authority (CPA). Resolution 1483 noted that DFI funds should be disbursed at the direction of the CPA, in consultation with the Iraqi interim administration. In addition, it required that the DFI funds be used in a transparent manner for the following purposes in Iraq: to meet the humanitarian needs of the people; for economic reconstruction and repair of infrastructure; for continued disarmament; for the costs of civilian administration; and for other purposes benefiting the people of Iraq. The DFI was the primary financial vehicle to channel revenue from ongoing Iraqi oil sales, unencumbered Oil for Food deposits, and repatriated national assets to the relief and reconstruction efforts for Iraq.

CPA Regulation Number 2, “Development Fund for Iraq,” issued in June 2003, described the responsibilities for the administration, use, accounting, and auditing of the DFI. The regulation was intended to ensure that the fund was managed in a transparent manner for and on behalf of the Iraqi people, consistent with Resolution 1483, and that all DFI disbursements would be for purposes benefiting them.

During the CPA administration of Iraq, the CPA Comptroller managed the DFI funds. When the CPA was dissolved in June 2004, the CPA Comptroller was realigned as the U.S. Army Joint Area Support Group-Central (JASG-C) Comptroller, and assumed responsibility for control of the DFI. The Iraqi Minister of Finance, through a number of memorandums, granted DFI administrative and delegation authority to the Joint Contracting Command – Iraq/Afghanistan (JCC-I/A).² On December 31, 2007, JCC-I/A’s stewardship of the DFI program ended.

Department of Defense Financial Management Regulation (FMR) Volume 5, governs all DoD disbursing policy by establishing and enforcing requirements, principles, standards, responsibilities, procedures, practices, and liability for disbursing officers, certifying officers and other accountable officials throughout the department. Chapter 3 of Volume 5 governs cash operations, safeguarding funds and related documents, and advancing funds to agents.

² The DFI administrative and delegations responsibilities currently assigned to the Joint Contract Command – Iraq/Afghanistan were previously assigned to the Program Management Office.

Objectives

The objectives of this attestation were to conduct a physical count of DFI funds in the possession of JASG-C to determine whether the cash on hand agreed with JASG-C accounting records, and whether procedures used to store funds complied with applicable financial-management regulations.

For a discussion of the scope and methodology, and a summary of prior audit coverage, see Appendix A. For definitions of the acronyms used in this report, see Appendix B. For the Memorandum of Agreement between JASG-C and SIGIR on the actual work performed, see Appendix C. For a list of the audit team members, see Appendix D.

Cash on Hand Agrees with Accounting Records

On February 26, 2008, at approximately 1400 hours, we conducted a cash count of the DFI funds in the JASG-C Comptroller's vault.³ Prior to the count, SIGIR and JASG-C signed a Memorandum of Agreement regarding the services to be performed. A copy of the agreement is in Appendix C of this report. SIGIR was given immediate access to the vault and the entire count was observed by the Deputy Disbursing Officer. The cash in the vault was stored in four ways:

- In Canvas Bags – Each of the bags which bear the markings of the Federal Reserve Bank of New York contains 20,000 bills of a single denomination (\$1's, \$5's, or \$10's). The bags were sealed by the Federal Reserve Bank with a lead seal and a tag, indicating their origin.
- Large Bricks – Some funds were in blue-plastic wrapped bricks (referred to as "plastic bags") from the Federal Reserve Bank. Each large brick contains 16 small ones, and each of these holds 1,000 same denomination bills (\$1's or \$100's) for a total of 16,000 per large brick. Both sizes of bricks were packaged and sealed by the bank, with the smaller bricks in a tamper-proof plastic bag.
- Small Bricks – The 16 smaller bricks, found in each large one, each contain 1,000 bills of one denomination (\$1's, \$5's, \$10's, \$50's, or \$100's). The Federal Reserve has sealed these smaller bricks in a small, tamper-proof plastic bag.
- Loose Cash – Some of the funds consisted of loose, unwrapped cash and coins, as well as small bricks of bills that are not sealed in plastic bags.

JASG-C and SIGIR agreed to conduct the count by mutually examining—for signs of pilferage—the canvas bags, large bricks, and small bricks received from the Federal Reserve. If either party believed the packages showed such signs, the package was opened and counted. JASG-C and SIGIR both concluded that breaking the seals on bags without signs of pilferage would complicate future cash counts, so those bags were accepted as containing the proper amount of funds. All remaining funds were counted three times using an electric bill counter to ensure accuracy; if any of the three totals did not agree, the funds were counted by hand. Coins, too, were counted by hand.

³ SIGIR made similar cash count on January 11, 2008, in anticipation of an imminent transfer of the funds to the Government of Iraq. Because that transfer did not occur as quickly as expected a second count was requested.

The result of SIGIR's cash count is shown in the following table:

Table—Results of Cash Count of DFI Funds on February 26, 2008 (in U.S. Currency)

	Denomination	Quantity	Amount
Currency	Hundreds	209,298 bills @\$100.00	\$20,929,800.00
	Fifties	9,021 bills @ \$50.00	\$451,050.00
	Twenties	5,020 bills @ \$20.00	\$100,400.00
	Tens	44,046 bills @ \$10.00	\$440,460.00
	Fives	303,061 bills @ \$5.00	\$1,515,305.00
	Ones	1,018,171 bills @ \$1.00	\$1,018,171.00
Loose Coin	Coins		\$3.40
TOTAL as of February 26, 2008			\$24,455,189.40

Source: SIGIR

Canvas bags containing 20,000 bills



Large bricks containing 16,000 bills



Small bricks contain 1,000 bills



Loose cash



As previously noted, SIGIR initially conducted a cash count of the DFI funds on January 11, 2008, in anticipation that the funds would be moved within a week. When that did not occur, the second count was made. No transactions were identified in JASG-C's accounting records between our January 11 and February 26 counts, so both cash counts arrived at the same total cash on hand.

To ensure that the cash on hand agreed with JASG-C accounting records, SIGIR reconciled the accounting records to the receiving and collection documents for the previous 12 months and found that they were in agreement. SIGIR then compared the cash count results to the JASG-C records and found them in agreement.

JASG-C Complied with Applicable Financial-Management Regulations

SIGIR found that the JASG-C Comptroller's office follows the guidance in DoD Financial Management Regulation (FMR) Volume 5, Chapter 3, in regards to cash controls. The Comptroller's office maintains accounting records to track the DFI cash totals. SIGIR reviewed the records and verified all receipts and disbursements for the previous 12 months, and concluded that the records supported the cash on hand. In April 2006, SIGIR also conducted a cash count of DFI cash in the possession of JASG-C and examined the records and similarly found that the records supported the cash on hand.

Cash counts on a quarterly basis are required by FMR, Volume 5, Chapter 3. SIGIR also examined the results of an independent, unannounced cash count conducted by JASG-C and found that it agreed with SIGIR's own cash count. On December 23, 2007, the JASG-C Commander appointed two of his officers to perform an independent, unannounced cash count. The total of that count was compared to the one in JASG-C accounting records, and the two totals reconciled.

Appendix A—Scope and Methodology

To determine the amount of DFI cash in the possession of JASG-C, we conducted a cash count of the funds stored in the basement vault of the U.S. Embassy Annex in Baghdad. The count was made by our auditors, witnessed by the JASG-C Deputy Disbursing Officer, and done in accordance with the terms of a February 26, 2008 Memorandum of Agreement between SIGIR and JASG-C (see Appendix C). SIGIR had also conducted a cash count of the DFI funds on January 11, 2008, in anticipation that the funds would be moved within a week. No transactions occurred between our January and February counts, and both counts found the same total cash on hand.

To determine whether storage of the funds complied with applicable financial management regulations, we reviewed the Department of Defense's Financial Management Regulation (FMR), Volume 5, which establishes the criteria for funds storage, and then performed the checks needed to ensure compliance. To determine if the cash stored in the vault reconciled with the JASG-C Comptroller's records, we reviewed the Comptroller's DFI Excel Spreadsheet, which summarizes all DFI transactions from 2004 to the present. The last transaction shown on the spread sheet is a turn-in of cash, which occurred in April 2007. We ensured that all receipts and disbursements were supported with appropriate documentation. We also examined documents supporting the JASG-C Comptroller's most-recent quarterly cash count, made on December 23, 2007. (Those cash counts are required by the FMR). Finally, we reviewed the Statement of Agent Officer's Account, DD Form 1081 to determine the adequacy of the funds accountability provided by the JASG-C Comptroller/Disbursing Officer.

We conducted this attestation from January 2008 through March 2008 with the latest cash count performed on February 26, 2008. All work was performed at the JASG-C Comptroller's Office and in the vault, located in the U.S. Embassy Annex, Old Republican Palace, in Baghdad. This attestation was conducted in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Prior Coverage. We reviewed the following reports.

SIGIR

SIGIR 06-008, *Development Fund for Iraq Cash Accountability Review:*

Joint Area Support Group-Central, Apr. 28, 2006.

SIGIR 05-006, *Control of Cash Provided to South-Central Iraq*, Apr. 30, 2005.

Appendix B—Acronyms

CPA	Coalition Provisional Authority
DFI	Development Fund for Iraq
DoD	Department of Defense
FMR	Financial Management Regulations
JASG-C	Joint Area Support Group—Central (Provisional)
JCC-I/A	Joint Contracting Command – Iraq/Afghanistan
SIGIR	Special Inspector General for Iraq Reconstruction

Appendix C—Memorandum of Agreement



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

MEMORANDUM OF AGREEMENT BETWEEN

JOINT AREA SUPPORT GROUP-CENTRAL

AND

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION
ON PROCEDURES FOR VERIFYING
DEVELOPMENT FUND FOR IRAQ CASH

February 26, 2008

The Joint Area Support Group-Central (JASG-C) seeks to ensure that cash in its possession belonging to the Development Fund for Iraq is properly accounted for and transferred to the Government of the Republic of Iraq. To assist JASG-C in transferring the cash to the Government of the Republic of Iraq so that it can be fiscally accounted for, the Special Inspector General for Iraq Reconstruction (SIGIR) agrees to conduct a count of the DFI cash in the possession of JASG-C and reconcile that amount to the JASG-C financial accounting records. Prior to conducting the cash count and reconciliation, Government Auditing Standards (GAO-07-731G, July 2007) requires that JASG-C and SIGIR establish in writing an understanding of the services to be provided and that SIGIR communicates its understanding of the services to JASG-C management, and to the Joint Contracting Command-Iraq/Afghanistan. This memorandum of agreement is established to satisfy those requirements.

Services to be provided: The cash in the possession of JASG-C consists of sealed canvas bags with each bag containing 20,000 bills; large plastic wrapped bricks of bills, each containing 16,000 bills; small bricks of bills, each containing 1,000 bills; and loose cash. In conducting this count and reconciliation SIGIR and JASG-C agree that the following steps will be taken:

1. **Loose Cash** – Loose cash in sealed plastic bags will be examined by JASG-C and SIGIR personnel for signs of pilferage. Any bag that either party believes shows signs of pilferage will be opened and SIGIR will conduct a complete count of the cash. Bags that both parties agree show no signs of pilferage will be presumed to contain the correct amount of cash. All currency not in sealed bags and all coins will be counted in full.
2. **Small Bricks of Bills** – All small bricks of bills (1,000 bills each) will be examined by JASG-C and SIGIR personnel for signs of pilferage. Any small brick that either party believes shows signs of pilferage will be opened and SIGIR will conduct a complete count of the cash. Small bricks that both parties agree show no signs of pilferage will be presumed to contain the correct amount of cash.
3. **Large Bricks (plastic bags) of Bills**– All plastic bags containing large bricks of bills (16,000 bills each) will be examined by JASG-C and SIGIR personnel for signs of pilferage. Any plastic bags that either party believes shows signs of pilferage will be opened and SIGIR and JASG-C will examine the small bricks within for signs of pilferage. Any small brick that either party believes shows signs of pilferage will be opened and SIGIR will conduct a complete count of the cash.



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Small bricks that both parties agree show no signs of pilferage will be presumed to contain the correct amount of cash.

5. Canvas Bags – All canvas bags will be examined by JASG-C and SIGIR for signs of pilferage. Any canvas bag that either party believes shows signs of pilferage will be opened and the small bricks in the bag will be examined for pilferage. Any small brick that either party believes shows signs of pilferage will be opened and SIGIR will conduct a complete count of the cash. Small bricks that both parties agree show no signs of pilferage will be presumed to contain the correct amount of cash.

Upon completion of the cash count, a reconciliation between the cash count and the JASG-C accounting records will be conducted.

A handwritten signature in black ink, appearing to read "Philip S. Defenbach", is written over a horizontal line.

Lt Col Philip S. Defenbach
JASG-C Comptroller
JCC-I/A DFI Comptroller

A handwritten signature in black ink, appearing to read "Glenn Furbish", is written over a horizontal line.

Glenn Furbish
Principle Deputy Assistant Inspector General
SIGIR

Appendix D—Audit Team Members

This report was prepared and the attestation conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction. The staff members who contributed to the report include:

Wendell Gentry

W. Dan Haigler, Jr.

Walt Keays

Ronald Rembold